

CHAPTER II. MAJOR BIENNIAL BUDGET PROPOSALS OF THE 100TH CONGRESS

Three approaches to biennial budgeting have been proposed in the current Congress. Major bills that represent these approaches are: S. 416, cosponsored by Senators Roth and Domenici; S. 286, sponsored by Senator Ford; and H.R. 22, cosponsored by Congressmen Panetta and Regula. ^{1/} This chapter compares the bills' major features. Table 1 compares the target dates established by the three bills.

Three other bills contain, among other provisions, language identical to that in H.R. 22: H.R. 33, sponsored by Congressman Daub; H.R. 777, sponsored by Representative Lloyd; and H.R. 805, sponsored by Congressman Penny. Another bill, H.R. 1558, cosponsored by Congressmen Hutto and Lott, is similar in intent to H.R. 22. S. 1362, cosponsored by Senators Kassebaum and Inouye, includes a biennial budget proposal that is similar to S. 416. Finally, S. 832, sponsored by Senator Domenici, is an omnibus budget reform bill that incorporates the text of S. 416.

S. 416

S. 416 bears the closest resemblance to the existing budget process. Budgeting would take place in the first nine months of the first session (odd year) of a Congress, and the biennium would begin on October 1. The bill would delay submission of the President's budget to January 15 and return to the original Congressional Budget Act's dates for the views and estimates reports (March 15) and for reporting and passing the budget resolution (April 15 and May 15, respectively). Appropriation action would be completed in the House by the end of June, and all appropriation bills and the reconciliation bill would be enacted by September 30. The second session of the Congress would be devoted primarily to considering authorizations for the next biennium, though the President would be required to submit a revised budget for the biennium on January 15 of the even year (three and a half months after the beginning of the biennium). If S. 416 were passed, it would take

1.. Introductory statements in support of these bills can be found in the *Congressional Record*, January 6, 1987, H23-26 for H.R. 22; January 12, 1987, S601-609 for S. 286; and January 29, 1987, S1321-1333 for S. 416.

TABLE 1. TARGET DATES IN BIENNIAL BUDGETING BILLS

Date	S. 416	S.286	H.R. 22
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11/10	Current services		
Congress Begins First Session--Odd Year			
1/3	Current services		
1/15	President's biennial budget;	President's biennial budget	President's biennial budget; oversight begins
2/15	CBO report		
3/15	Views and estimates		
4/15	Budget resolution reported	CBO report	
5/15	Budget resolution completed	Views and estimates	
6/1	Appropriation bills reported in House		
6/15	Appropriation bills completed in House	Budget resolution reported	
6/30	Appropriation bills reported in Senate		Committees complete oversight reports
7/1		Committees report authorizations of new budget authority	Committees begin legislative work
9/30	Appropriations and reconciliation finished		
10/1	Biennium begins		
10/31			Views and estimates
11/10			CBO report
11/30			Budget resolution reported

(continued)

TABLE 1. (Continued)

Date	S. 416	S.286	H.R. 22
12/1		Congress finishes authorizations of new budget authority	
12/31			Committees report authorizations of new budget authority
Congress Begins Second Session--Even Year			
1/3			Current services
1/15	President's revised budget for biennium	President's revised budget for biennium	President's revised budget for biennium
3/1			Congress finishes authorizations of new budget authority
3/31	CBO report	Spending bills reported in House; CBO report	Budget resolution completed
4/15		Spending bills reported in Senate	Appropriation bills reported
6/15		Second budget resolution reported	
7/15		Congress completes spending bills	
8/1		Second budget resolution completed	
Labor Day plus 7 days		Congress completes spending bills	
9/25		Congress completes reconciliation	Congress completes reconciliation
10/1		Biennium begins	Biennium begins
Ad-journ-ment	Authorizations of new budget authority for next biennium finished		

SOURCE: Congressional Budget Office.

effect on January 1, 1988. During 1988, the Congress would pass year-ahead authorizations and an annual budget for fiscal year 1989. The first biennial budget would be enacted in 1989. 2/

S. 286

The process set out by S. 286 resembles the original Congressional Budget Act process stretched out over a two-year period. The President would begin the process by submitting a budget on January 15 of the first session (odd year) of a Congress for the biennium beginning on October 1 of the second session (even year). The first year would be devoted to passage of a budget resolution (by the end of July) and the authorization of new budget authority (by December 1). The President would submit a revised budget on January 15. Bills that provided budget and entitlement authority would have to be reported by March 31 in the House and April 15 in the Senate. A second budget resolution would be completed by August 1, and a reconciliation bill might then be necessary and would be scheduled for passage by September 25. One hundred hours of debate would be allowed on a reconciliation bill in the Senate. If S. 286 were passed, it would become effective at the start of the 101st Congress. The bill establishes a transition to a biennial process by having the Congress enact an annual budget for fiscal year 1990 and a biennial budget for fiscal years 1991 and 1992. 3/

H.R. 22

H.R. 22 proposes the greatest departure from the previous or the existing budget process. Like S.286, it requires the President to submit a budget on January 15 of the first session of a Congress for the

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2. S. 416 also permits amendment of the first budget resolution only if two-thirds of both the House and the Senate agree, and establishes a point of order against violating the Balanced Budget Act's maximum deficit amount for each year in the biennium. It requires reporting of all 13 regular appropriation bills before considering an appropriation bill on the floor, extends CBO cost estimates to six years, and mandates that the account structure of the President's budget be used in all Congressional budget actions.
 3. S. 286 requires that the account structure of the President's budget be used in all Congressional budget actions, requires committees to file oversight reports by the beginning of the biennium, and establishes an automatic continuing resolution at the previous rate of operations. In addition, it prohibits reconciliation until after the second resolution and limits reconciliation to changes in entitlement authority, revenues, and the debt limit.

biennium beginning on October 1 of the second session. The Congress would not take any action on the budget for most of the first year, however. The first six months would be reserved for oversight activities. On July 1, committees would begin considering authorizing legislation, and would have to report authorizations of new budget authority by the end of the year. These bills would have to be enacted by the following March 10.

Preparation of the budget resolution would begin with the submission of views and estimates reports by October 31. After receiving a Congressional Budget Office report on November 10, the Budget Committees would report budget resolutions by November 30, and then wait for a revised President's budget on January 15. The budget resolution would be completed by March 31. The rest of the period until September 25 would be devoted to passing spending bills and reconciliation. If H.R. 22 were passed, it would become effective with the 101st Congress. The bill as drafted neglects to allow for a transition year in 1989 for the fiscal year 1990 budget.

Biennial Budgeting Timetables

Though this paper is not a detailed review of the specifics of the biennial bills, this section discusses a few issues regarding the feasibility of the bills' timetables.

H.R. 22. This bill would ask that the President's budget be submitted on January 15, but committee views and estimates reports would not be due until October 31. The CBO report would be released on November 10 and the budget resolution reported by November 30. The President would then release his revised budget for the upcoming biennium on January 15.

This schedule would seem to encourage reestimates during preparation of the budget resolution. The views and estimates reports would be based on a President's budget submitted nine months earlier and would not benefit from the CBO report, which would be released 10 days later. The budget resolution would be reported but not passed before the President's revised budget was submitted. The revisions in the budget would probably require the Budget Committees to revise their reported resolutions. In contrast to this long period for preparing the budget resolution, H.R. 22 allows only 15 days from the adoption of the budget resolution to the date that appropriation bills are supposed to be reported.

S. 286. This bill establishes long periods between each target date. The CBO, for example, is given three months to produce its report after the President's budget is submitted. The major timing issue presented by this bill relates to enforcement. The bill repeals many of the enforcement procedures that were formally adopted by the Congress in the Balanced Budget Act. It returns to the original process in which the first budget resolution would not be binding and the second resolution would be completed after spending bills were passed. Reconciliation would follow the second resolution in the two months (August and September) before the beginning of the biennium. The Congress had difficulty under this procedure enforcing the deficit reductions planned in the first resolution. That the Congress could do any better using the same procedure, but over a two-year period, is not self-evident.

S. 416. Like H.R. 22, this bill allows a short period from passage of the budget resolution to reporting of appropriation bills. It is even more optimistic in expecting that appropriation bills could be completed after 15 days in the House.

None of the bills include in their model timetables a period for consideration of supplemental appropriation bills or rescission requests. Both H.R. 22 and S. 286 allow a simple waiver of the deadline for reporting appropriation bills.

CHAPTER III. STATE AND INTERNATIONAL EXPERIENCES WITH BIENNIAL BUDGETING

Arguments for and against federal biennial budgeting often proceed by analogy with budgeting in the states. This is particularly true in the Congress because many Members and Senators have had experience as state legislators or governors and would like to try at the federal level the procedures that they became familiar with at home. International experiences with biennial budgeting are less frequently invoked, primarily because it is rarely used in democratic countries. Multiyear planning, on the other hand, has gained momentum gradually.

The States

A recent survey by the National Conference of State Legislatures (NCSL) concluded that 31 states will adopt annual budgets in 1987, and 19 states will adopt or be operating under biennial budgets (see Table 2). ^{1/} NCSL's definition of biennial budgeting requires that appropriations be provided for two years, either as separate appropriations for each of the two years (as is done by 14 states) or as a single appropriation (five states). A state is not classified as biennial if the governor proposes a biennial budget but the legislature appropriates for only one year. Florida has followed this practice in recent years.

Other aspects of NCSL's basic categorization may result in an overestimate of the prevalence of biennial budgeting. In 11 of the biennial states--all but one of the biennial states with annual sessions--the NCSL found that major annual reviews of the biennial budget are anticipated by provisions of the states' constitutions or are traditionally performed. In Ohio, for example, a committee of the legislature has made extensive modifications to the enacted budget during the off-year. In some of the states whose constitutions do not anticipate revisions or where annual reviews have not traditionally been made, fiscal crises have led to amendments of biennial budgets. Texas is one example.

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- 1.. Sources on biennial budgeting in the states are Barbara Yondorf, "Annual Versus Biennial Budgeting: The Arguments, The Evidence" (National Conference of State Legislatures, January 26, 1987); Charles W. Wiggins and Keith E. Hamm, "Annual Versus Biennial Budgeting?" (Texas A&M University, August 1984); and General Accounting Office, "Current Status and Recent Trends of State Biennial and Annual Budgeting" (July 15, 1987), "Biennial Budgeting: Summary of the Major Issues" (April 17, 1984), and "Biennial Budgeting: The State Examples" (December 23, 1982).

TABLE 2. FREQUENCY OF BUDGETING IN STATES

State	Frequency	Changes in Frequency <u>a/</u>	Biennial States Only	
			Revisions Possible	Availability of Appropriations
Alabama	Annual	A'76		
Alaska	Annual			
Arizona	Annual			
Arkansas	Biennial		No	One Year
California	Annual			
Colorado	Annual			
Connecticut	Annual	A'71		
Delaware	Annual			
Florida	Annual			
Georgia	Annual	A'74		
Hawaii	Biennial	B'71	Yes	One Year
Idaho	Annual			
Illinois	Annual			
Indiana	Biennial	A'75; B'78	Yes	One Year
Iowa	Annual	A'75; B'79; A'83		
Kansas	Annual			
Kentucky	Biennial		No	One Year
Louisiana	Annual			
Maine	Biennial		Yes	One Year
Maryland	Annual			
Massachusetts	Annual			
Michigan	Annual			
Minnesota	Biennial	A'73; B'75	Yes	One Year
Mississippi	Annual			
Missouri	Annual	A'72		
Montana	Biennial		No	One Year
Nebraska	Biennial	A'72; B'87	Yes	One Year
Nevada	Biennial		No	One Year
New Hampshire	Biennial		No	One Year
New Jersey	Annual			
New Mexico	Annual			
New York	Annual			
North Carolina	Biennial	A'73; B'75	Yes	Two Year
North Dakota	Biennial		No	Two Year

(continued)

TABLE 2. (Continued)

State	Frequency	Changes in Frequency <u>a/</u>	Biennial States Only	
			Revisions Possible	Availability of Appropriations
Ohio	Biennial		Yes	One Year
Oklahoma	Annual			
Oregon	Biennial		No	Two Year
Pennsylvania	Annual			
Rhode Island	Annual			
South Carolina	Annual			
South Dakota	Annual			
Tennessee	Annual	A ⁷⁰		
Texas	Biennial		No	One Year
Utah	Annual			
Vermont	Annual	A ⁷⁸		
Virginia	Biennial		Yes	One Year
Washington	Biennial		Yes	Two Year
West Virginia	Annual			
Wisconsin	Biennial		Yes	One Year
Wyoming	Biennial		Yes	Two Year

SOURCE: Barbara Yondorf, "Annual Versus Biennial Budgeting: The Arguments, the Evidence" (National Conference of State Legislatures, January 36, 1987).

a. "A" signifies a change from biennial to annual; "B" signifies a change from annual to biennial.

The states have moved away from biennial budgeting in the past 40 years; 44 states followed the practice in 1940. The "Changes in Frequency" column in Table 2 shows the states that have shifted to annual or biennial budgeting since 1970. One reason for the movement away from biennial budgeting was the professionalization of state legislatures, which accelerated in the 1960s and 1970s. With larger and more competent staffs and with annual rather than biennial sessions, some legislatures felt capable of reviewing budgets annually (Missouri and Connecticut are examples). The growth in federal grant revenues gave state legislatures an incentive to participate annually in the allocation of these funds. Legislatures have also temporarily used annual budgets when the governor was not a member of the majority party in the legislature, and returned to biennial budgets when partisan control became unified (Iowa and North Carolina are examples).

Another cause of the shift to annual budgets has been the increased sensitivity of state budgets to economic cycles (largely because of increased reliance on the income tax as a major revenue source), coupled with balanced budget limits. Under biennial budgeting, large unpredicted shortfalls in revenues as well as smaller unpredicted increases in outlays for uncontrollable benefit programs have often created deficits in state budgets. When states had insufficient cash reserves to finance these deficits, they had to revise their budgets during the biennium to meet their balanced budget limits. Repeated situations like this led some states to convert formally to annual budgeting, the form of budgeting they were practicing in a de facto manner (Vermont, Alabama, and Florida are examples).

The states that have converted to biennial budgeting have done so for a number of reasons. Hawaii wanted to reserve the nonbudget year for program reviews, and Nebraska returned to biennial budgeting to increase control of out-year spending. The Minnesota legislature passed an annual budget in 1974, but a citizen referendum required a return to biennial budgeting.

Other Countries

The experiences of other countries contrast markedly with those of the states. ^{2/} Budgeting has been an annual process in almost all of the countries of the noncommunist world. Among Western European democracies, only Spain has a history of biennial budgeting. The practice was dropped there in the early 1970s before the end of the Franco regime. Some developing countries with Spanish heritages, such as Peru, have also budgeted biennially in the past, and Bahrain currently has a biennial budget.

The prevalence of annual budgeting in other democratic countries is partially explained by their constitutional structures. Many democratic countries have parliamentary structures in which the political executive is drawn from the legislature. This executive is given the primary responsibility for developing the government's budget as well as managing it. The budget is used as a method of setting forth the government's program and as a test of the government's support. It is usually ratified by the parliament with few changes. When the governing majority in parliament is unstable, however, the budget vote may also provoke a parliamentary crisis by which the government may fall. In these countries, the annual opportunity to test the support for the government is widely thought to be a condition for democratic government.

This purpose of the budget is not important in nondemocratic countries. These countries tend to have more centrally planned economies and would be more likely to use biennial budgeting. Yet nondemocratic countries also tend to be underdeveloped and undiversified; their economies are subject to great variations in economic conditions. The resulting swings in the finances of the governments of developing countries have been frequent, necessitating annual revisions of long-term plans. The International Monetary Fund recommends that developing countries have annual budgeting processes in order to cope with these uncertainties.

2. Comprehensive information on international budgetary practices has not been compiled. The information in this section was drawn from various articles in *Public Budgeting and Finance* from 1982 to the present; from discussions with country specialists at the State Department, the Federal Reserve, and the International Monetary Fund; and from A. Premchand, *Government Budgeting and Expenditure Controls* (Washington, D.C.: International Monetary Fund, 1983), pp. 137-143.

Though few countries have attempted biennial budgeting, many have expanded the time horizon of budget planning estimates. This move to multiyear planning has been gradual, gaining momentum after the first oil price shock in 1973. Support for multiyear planning has been based largely on the realization that a sizable portion of budgets are transfer payments, and that these payments are long-term budget commitments that erode the annual flexibility of the budget. Multiyear planning estimates have been seen as a useful informational method of controlling these commitments.

Conclusion

If the United States were to adopt biennial budgeting, it would be the only democratic country to follow this practice. The international preference for annual budgeting does not necessarily indicate that biennial budgeting would not work for the U.S. government, however. Because of the unique constitutional structure and experimental political culture of the United States, the experiences of other countries are not directly relevant.

Comparisons to the experiences of states may be more relevant, as the states share the nation's political culture. Most comparisons between state and federal governments would lead one to make negative inferences about the prospects of biennial budgeting. Economic uncertainty and divided partisan control--factors that have caused many states to drop biennial budgeting--are also present at the federal level. In addition, the special characteristics of the federal government may make annual budgeting preferable. The Congress has a greater constitutional responsibility for developing budgets than most state legislatures, and the federal government has a larger and more complicated budget and a different economic role than the states. Only three of the ten largest states use biennial budgeting--North Carolina, Ohio, and Texas--and states that use biennial budgeting are on average smaller in population than those that use annual budgeting. ^{3/}

Yet 19 states continue to budget biennially, which suggests that biennial budgeting can work if certain conditions are present. Unfortunately, studies of state experiences with biennial budgeting have

3. The mean population difference is 1.4 million, compared with a mean state population of 4.8 million. The median population difference is 0.6 million, compared with a median state population of 3.3 million. Figures are based on 1985 U.S. Census data.

not clearly identified these conditions. Such studies have typically consisted of surveys of state officials about the advantages and disadvantages of biennial and annual budgeting. Not surprisingly, officials tend to prefer current processes.

